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DD/S 66-6748

27 DEC 1966

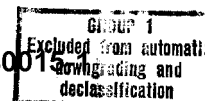
MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Report on Operation of Dining Room

**REFERENCE : Memo dtd 6 Dec 66 for DD/S fr D/L, subj:
Comparison of Dining Room Cost for FY 1966
and FY 1967**

1. This memorandum with attachments is for your information only.
2. I am attaching a copy of a detailed review of the operation of the Executive Dining Room. From this review it is obvious that the facility will not be able to operate on a self-sustaining basis and therefore it must continue to be subsidized principally in the form of salary payments to dining room employees. The usefulness of the dining room is well established and the General Counsel has periodically reviewed the operation of it and upholds the legal basis for the use of Agency funds in support of the continued operation of this activity.
3. On 1 June 1966 the Office of Logistics took over the management of the Executive Dining Room. The records of the Dining Room fund indicate that from that date to the present it has operated at a net profit which would approximate \$2,500 per annum. This net profit is arrived at by a comparison of total income less only the cost of food and a few miscellaneous operating expenses paid from the Fund. There are, however, approximately \$70,000 per annum in other costs which are not directly charged against the Dining Room operation. These consist of Dining Room employees' salaries, supervision and miscellaneous expenses pertinent to the operation of the Dining Room. Considering these costs (\$70,000) and the anticipated net profit of about \$2,500, the overall annual net cost of the operation of the Dining Room is approximately \$67,500.
4. The Office of Logistics has separated out of the total \$67,500 cost those items which pertain to the maintenance of the Director's Dining Room. These are estimated at \$28,500 and if we wished to make this

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theoretical division this would leave a balance of approximately \$39,000 as the subsidy necessary for maintaining the balance of the Executive Dining Room. It should be noted, however, that this is a theoretical division of costs since we are referring to the same employees utilizing the same facilities along with incurred miscellaneous expenses for the Dining Room operation. I do not see that this division is necessary or proper but it is reported here for information purposes.

5. In the attached study prepared by the Office of Logistics it is suggested that certain price changes may bring additional revenue of approximately \$9,000.

6. From the above it is apparent that we will never have sufficient revenue to permit the Dining Room operation to be self-sustaining; however, I feel that the attached memoranda citing the approvals for the operation of the Dining Room together with a policy of charging a reasonable amount for meals served justifies the continued operation of the Executive Dining Room without any appreciable change in policy.

7. We shall continue to operate the Dining Room as economically as possible and will be looking for any innovations which will tend to make it more self-supporting.

SIGNED R. L. Bannerman
R. L. Bannerman
Deputy Director
for Support

Att: Ref Memo w/atts

Distribution:

- Orig & 1 - Adse w/atts (DD/S 66-6452)
- 1 - D/L
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- 1 - DD/S Chrono

DD/S 66-6452: Memo dtd 6 Dec 66 to DD/S fr D/L, subj: Comparison of Dining Room Costs for FY 1966 and FY 1967.

DD/S:RLB:ksd (23 Dec 66)

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6 DEC 1966

MEMORANDUM FOR: Deputy Director for Support

SUBJECT: Comparison of Dining Room Costs
for FY 1966 and FY 1967

REFERENCES: (a) Memo dtd 14 Oct 66 for DD/S fr D/L,
subject: Operation of the Director's
and Executive Dining Rooms
(b) Memo dtd 21 Jan 66 for Mr. Ermo H.
Kuccho fr AO/DCI, subject: Executive
Dining Room

1. This memorandum is for your information only and
amplifies reference (a) (Attachment 1).

2. Analysis of the costs incurred by the dining room
has been difficult because there are two dining rooms using
a common kitchen facility. Therefore, allocations of cost
properly chargeable to the DCI Dining Room can only be esti-
mated. Reference (b) (Attachment 2) in citing the cost of
operating both dining rooms mentions only the labor costs of
eight persons and excludes the costs of supervision, maintenance
and repair, overtime, and the many other normal business expenses.

3. In the attached analysis we have included all costs
identifiable during FY 1966 irrespective of the fact that these
costs may have been charged to other FAN accounts. On Attach-
ment 3 we have listed the total costs and net loss in operating
both dining rooms for the period of 4 July 1965 through 2 July
1966. Attachment 4 compares an average 20-week period during
FY 1966 (5/13th of year) with the first 20 weeks of FY 1967
operation. You will note that the net loss for the 20-week
period in FY 1967 was \$1,062.21 less than the first 20 weeks
in FY 1966. Based on the above data, the projected loss for FY
1967 is $2.6 \times \$26,120.16$ or \$67,912.42.

4. Attachment 5 estimates the cost of operating the DCI
Dining Room alone for a one year period. This cost is \$28,510.
Subtracting this cost from our projected loss for FY 1967 we

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SUBJECT: Comparison of Dining Room Costs for
FY 1966 and FY 1967

That the estimated loss in operating the Executive Dining Room to be \$39,402.42. This loss can be somewhat reduced by implementing the increase in prices and other items recommended by reference (a).

5. As noted in paragraph 5. of reference (a), we must conclude that we will never be able to operate the dining room on a self-sustaining basis.

Signed: George E. Meloon
George E. Meloon
Director of Logistics

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DDP 66-5453

14 OCTOBER 1966

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Operation of the Director's and Executive Dining Rooms

1. This memorandum contains recommendations for your approval; such recommendations are contained in paragraph 7.

2. The subject dining rooms have a well-documented history dating back to 1952. An excellent summary of this history has been prepared by the Administrative Officer, Office of the Director (Attachment 1). Responsibility for the operation of the dining rooms was transferred from the Office of the Director to the Office of Logistics on 1 June 1966 (Attachment 2). Concurrent with this transfer was the requirement to submit a report of the operation, together with recommendations, around 1 October 1966. This paper constitutes that report.

3. As a first step, the Office of Logistics contracted, on 20 June 1966, with [] for professional services relating to the management and operation of the dining rooms. The contract covers a period of six months at the rate of \$200 per week plus a limited mileage allowance. It is estimated that the annual salary cost for supervision prior to 20 June 1966 was approximately the same as the Gourmet Treats, Inc., fee extended to a twelve-month period. It is believed that this action was justified as, since June, the dining room fund has experienced a three-month surplus which, if extended for a year, would total \$2,737.60. This compares with the \$794.79 surplus realized for the preceding year, i.e., 5 July 1965 to 30 June 1966 (Attachment 3). Additional improvements have been made in the operation which result in both savings and in increased convenience to members (Attachments 4 and 5). As examples: all food stuffs are now purchased from wholesalers; dining room hours have been lengthened; a greater variety of menus is offered; linen service costs have been reduced; an ice-making machine was installed; and waste has been curtailed through more closely supervised food preparation.

4. The present dining room membership is 358 and it is not believed that additional members can be accommodated with the present staff of seven

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SUBJECT: Operation of the Director's and Executive Dining Rooms

dining room employees. Current salaries for these seven staff employees total \$46,828. An additional \$5,867 is paid the bookkeeper for a total of \$52,695. Of this, about \$25,520 can be absorbed by the Director's Dining Room leaving \$27,175 which must be charged to the Executive Dining Room. Funds transferred to the Office of Logistics for operation of the dining rooms during Fiscal Year 1967 include annual salaries, but do not include any amount for overtime, or for the repair and replacement of equipment. We estimate that this latter expense will approximate \$800 annually. Overtime pay for Saturday operation of the Director's Dining Room is estimated at \$1,500 per year resulting in fixed costs of \$29,475 which must be charged against the Executive Dining Room.

5. It is apparent that operation of the Executive Dining Room with the current membership will never provide sufficient revenue to permit the activity to be self-sustaining. An increase in prices to cover all labor costs would be prohibitive. Therefore, subsidization, to some degree, must be continued. The Agency can be reimbursed by the dining room fund to a limited extent, but the volume of such reimbursement will depend upon income from operations. For example, additional revenue can be obtained by charging a la carte prices for juices and beverages on the light, low-cal, and Chef's Special luncheons. It is estimated that such additional revenue might approximate \$1,000 annually. Dining room employees presently provide coffee delivery service, in carafes, to the Director, Deputy Director, and their immediate offices for five cents per cup. This price barely covers the cost of coffee and supplies. Additional annual revenue of approximately \$1,700 can be obtained by charging ten cents per cup of coffee, which is, incidentally, the GSI price. After-hours, semi-official, special functions, e.g., bon voyage and retirement parties, could add to dining room income. It is estimated that six parties, each with 50 attendees, will be scheduled each four weeks. Based on a \$1.00 profit for each attendee, an annual net income from parties of \$4,000 is estimated. In addition, the imposition of a ten percent surcharge on all dining room bills would result in new revenue of around \$2,600 annually. In summary, additional annual income of \$9,300 can be realized by charging a la carte prices, increasing the cost of coffee, adding a ten percent surcharge to all dining room bills, and scheduling the maximum number of parties. The income realized would be used to reduce the \$29,475 subsidy required for the operation of the Executive Dining Room. This action would result in a reduced annual subsidy of \$20,175.

SUBJECT: Operation of the Director's and Executive Dining Rooms

6. In addition to the items summarized above, several procedural changes have been made in the operation of the dining rooms which will not result in reduction in charges against the dining room fund but will result in overall savings to the Agency. For example:

	<u>Annual Savings</u>
a. Agency vehicles are no longer used by dining room employees for grocery shopping trips and delivery of laundry.	\$ 350
b. Procurement of linens by the Office of Logistics is not required since linen service arrangements provide all such items.	225
c. The kitchen is now cleaned by dining room employees instead of GSA personnel.	<u>1,200</u>
Total	\$1,975

7. It is recommended that you approve the following actions to become effective 1 November 1966:


- a. Increase the price of coffee to ten cents per cup.
- b. Charge a la carte price for:
 - (1) Beverages on the light luncheon.
 - (2) Juices and beverages on the Chef's Special and low-cal luncheons.
- c. Add ten percent surcharge to all dining room bills.
- d. Encourage employees to use the Executive Dining Room for semi-official special parties.

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SUBJECT: Operation of the Director's and Executive Dining Rooms

e. Charge the sponsoring office or group for overtime costs incurred for official functions or special parties given during other than normal duty hours.

f. Notify each member of these changes prior to 1 November 1966 (Attachment 6).


George E. Maloon
Director of Logistics

6 Atts

The recommendations contained in paragraph 7 are approved.

SIGNED R. L. Bannerman

R. L. Bannerman
Deputy Director
for Support

11 JAN 1967

Date

Distribution:

Orig. - OL/LSD via D/L

2 - DD/S

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ADMINISTRATIVE -- INTERNAL USE ONLY

EXECUTIVE DINING ROOM

Estimated Profit and Loss Statement

Period Ending 20 January 1966

ASSETS:

Cash on Hand	\$ 404.92
Cash in Bank	214.88
Accounts Receivable	2,691.66
Inventory (Estimated)	600.00
	<hr/>
	\$3,911.46

LIABILITIES:

Accounts Payable	\$ 409.08
Members (333 @ \$10.)	3,300.00
Surplus	202.38
	<hr/>
	\$3,911.46
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ADMINISTRATIVE -- INTERNAL USE ONLY

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Executive Dining Room Fund
Statement of Profit and Loss
4 July 1965 - 2 July 1966

INCOME:

Meals Served	\$23,847.65
Coffee Income	1,827.60
Special Parties	2,246.12
Miscellaneous	<u>13.50</u>

TOTAL INCOME

\$27,939.87

COST OF SALES:

Beginning Inventory	\$ --- .---
Purchases:	
Meat and Fish	11,787.01
Other Food	11,733.15
Liquor	651.14
Less Ending Inventory	<u>(--- .---</u>)

TOTAL COST OF SALES

24,171.30

GROSS PROFIT

\$ 3,768.57

Salaries - Regular	\$51,866.91
Salaries - Overtime	3,311.20
Supervision of Dining Room	11,629.75
Other Expenses:	
Laundry	1,505.46
Flowers	246.54
Labor (G.S.I.)	1,176.60
Repairs & Maintenance	Cost Not Available
Supplies & Equipment	2,497.55
Kitchen Cleaning (G.S.A.)	1,200.00
Linens	458.40
Agency Vehicles	<u>549.90</u>
(Used for Shopping)	
Total Other Expenses	<u>74,442.31</u>

NET LOSS

(\$70,673.74)

COMPARISON of 5/13ths of Accounts for FY 1966 with the First Five Months of FY 1967

Approved For Release 2003/04/29 : CIA-RDP84-00780R001200040015-1

INCOME:

FY 1966

FY 1967

Meals Served	\$ 9,172.15	\$ 9,940.75
Coffee Income	702.90	817.20
Special Parties	863.85	1,584.85
Miscellaneous	<u>7.10</u>	<u>12.00</u>
TOTAL INCOME	\$10,746.00	\$12,354.80

COST OF SALES:

Beginning Inventory	\$ ----	\$ ----
Purchases:		
Meat and Fish	4,533.45	5,127.01
Other Foods	4,512.75	5,602.79
Liquor	250.45	431.52
Less Ending Inventory	(----)	(1,079.25)
TOTAL COST OF SALES	<u>9,296.65</u>	<u>10,082.07</u>

GROSS PROFIT

\$ 1,449.35

\$ 2,272.73

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Salaries - Regular	\$19,948.81	\$20,267.30
Salaries - Overtime	1,273.53	1,106.69
Supervision of Dining Room	4,473.10 (1)	----
<div style="border: 1px solid black; width: 150px; height: 20px; display: inline-block;"></div> Salary	----	4,000.00
	----	428.80 (2)
Other Expenses:		
Laundry	579.00	738.61 (3)
Flowers	94.80	44.96
Labor (G.S.I.)	452.50	449.24
Repair & Maintenance	Cost Not Available	115.94
Supplies & Equipment	960.60	1,241.35
Kitchen Cleaning (G.S.A.)	461.54	---- (4)
Linens	176.30	----
Agency Vehicles	211.54	---- (5)
(Used for Shopping)		
Total Other Expenses	<u>28,631.72</u>	<u>28,392.89</u>

NET LOSS

(\$27,182.37)

(\$26,120.16)

Average Membership Per Period 330

360

Projected Loss for 52 Weeks

\$67,912.42

- (1) 5/13ths of 75% of Dining Room Supervisor's Time
Plus 25% of AO/DCI
- (2) Recently Added New Employee to Improve Service
- (3) Provides Linens
- (4) Included in Overtime Above
- (5) Food Now Delivered without Additional Cost

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ESTIMATED Cost to Operate DCI Dining Room for One Year

1. Assume price charged equals cost of food only.	
2. Salaries - 3 1/3 Persons	\$25,324.00
Salaries - Overtime	1,664.00
Other Expenses:	
Laundry	520.00
Flowers	50.00
Labor (G.S.A.)	100.00
Supplies & Equipment	752.00
Kitchen Cleaning	---
Linens	---
Agency Vehicles	---
Maintenance & Repairs	100.00
	<u>\$28,510.00</u>

DD/S 66-6798

OK Please put in final form. STAT
53 Dec. 66

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Report on Operation of Dining Room

REFERENCE : Memo dtd 6 Dec 66 for DD/S fr D/L, subj:
Comparison of Dining Room Cost for FY 1966
and FY 1967

1. This memorandum with attachments is for your information only.
2. I am attaching a copy of a detailed review of the operation of the Executive Dining Room. From this review it is obvious that the facility will not be able to operate on a self-sustaining basis and therefore it must continue to be subsidized principally in the form of salary payments to dining room employees. The usefulness of the dining room is well established and the General Counsel has periodically reviewed the operation of it and upholds the legal basis for the use of Agency funds in support of the continued operation of this activity.
3. On 1 June 1966 the Office of Logistics took over the management of the Executive Dining Room. The records of the Dining Room fund indicate that from that date to the present it has operated at a net profit which would approximate \$2,500 per annum. This net profit is arrived at by a comparison of total income less only the cost of food and a few miscellaneous operating expenses paid from the Fund. There are, however, approximately \$70,000 per annum in other costs which are not directly charged against the Dining Room operation.

These consist of Dining Room employees' salaries, supervision and miscellaneous expenses pertinent to the operation of the Dining Room. Considering these costs (\$70,000) and the anticipated net profit of about \$2,500, the overall annual net cost of the operation of the Dining Room is approximately \$67,500.

4. The Office of Logistics has separated out of the total \$67,500 cost those ~~cost~~ items which pertain to the maintenance of the Director's Dining Room. These are estimated at \$28,500 and if we wished to make this theoretical division this would leave a balance of approximately \$39,000 as the subsidy necessary for maintaining the balance of the Executive Dining Room. It should be noted, however, that this is a theoretical division of costs since we are referring to the same employees utilizing the same facilities along with incurred miscellaneous expenses for the Dining Room operation. I do not see that this division is necessary or proper but it is reported here for information purposes.

5. In the attached study prepared by the Office of Logistics it is suggested that certain price changes may bring additional revenue of approximately \$9,000.

6. From the above it is apparent that we will never have sufficient revenue to permit the Dining Room operation to be self-sustaining; however, I feel that the attached memoranda citing the approvals for the operation

of the Dining Room together with a policy of charging a reasonable amount for meals served justifies the continued operation of the Executive Dining Room without any appreciable change in policy.

7. We shall continue to operate the Dining Room as economically as possible and will be looking for any innovations which will tend to make it more self-supporting.

R. L. Bannerman
Deputy Director
for Support

Att: Ref Memo w/atts

Distribution:

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DD/S 66-6452: memo dtd 6 Dec 66 To DD/S
ofn D/L, subg. Comparison of Dining
Room Costs year FY 66 & 67.

1005: RLB: pad (23 Dec 66)

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MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Report on Operation of Dining Room

REFERENCE : Memo dtd 6 Dec 66 for DD/S frm D/Log, subj:
Comparison of Dining Room Cost for FY 1966
and FY 1967

1. This memorandum with attachments is for your information only.

2. I am attaching a copy of a detailed review of the operation of the Dining Room. From this review I have concluded that although the facility will never be able to operate on a self-sustaining basis, its usefulness to the Agency and General Counsel's periodic reviews which uphold the legal basis for the use of Agency funds in this manner constitute justification for the continued operation of the Dining Room, as is, with perhaps only a slight modification of some prices.

3. On 1 June 1966 the Office of Logistics took over the management of the Executive Dining Room. The records of the Dining Room Fund indicate that from that date to the present it has operated at a net profit which would approximate \$2,500 per annum. This net profit is arrived at by a comparison of total income less only the cost of food and a few miscellaneous operating expenses paid from the Fund. A closer look at the Dining Room operation shows that costs totaling approximately \$70,000 per annum are not charged

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directly to the Dining Room operation. These costs consist primarily of the salaries of eight Staff employees working in connection with the Dining Room operation. If these costs which are not recorded officially in the Dining Room Fund records were charged to the Dining Room operation, the annual net cost of its operation would approximate \$67,500. This is a net of the \$70,000 not charged to the Dining Room operation and the anticipated recorded net profit of approximately \$2,500.

5. Of the net cost of \$67,500, the Office of Logistics believes that approximately \$28,500 can be justified as an absolute "must" for the maintenance of a Director's Dining Room. This leaves a balance of approximately \$39,000 which, in effect, is a subsidy for maintaining the balance of the Executive Dining Room.

5. In the attached study prepared by the Office of Logistics they suggest that certain price changes may bring additional revenue of approximately \$9,000, making the final subsidy amounting to \$30,000.

6 From the above, it is apparent that we will never have sufficient revenue to permit the Dining Room operation to be self-sustaining, however, I feel that the attached memoranda citing the approvals for the operation of the Dining Room, together with a policy of charging a reasonable amount for meals served, justifies the continued operation of the Executive Dining Room

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without any appreciable change in policy.

78. We shall continue to operate the Dining Room as economically as possible and will be looking for any innovations which will tend to make it more self-supporting.

RLB